

**MANUKA HONEY STEERING GROUP**  
**FREQUENTLY ASKED QUESTIONS (FAQ) ON THE HEA**  
**JANUARY 2010**

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### **What is the HEA?**

The Horticulture Export Authority is a statutory authority under the New Zealand Horticulture Export Authority Act 1987 (HEA Act). It promotes the sale of NZ horticultural products overseas with quality disciplines. It does this by allowing industries to set minimum standards and then enforcing them through an export licence requirement. A reputation for integrity as exporters and producers of high quality produce assist in maintaining price premium for the produce.

The HEA reports to the Minister of Agriculture, and is funded by its industry sector participants who currently include 11 product groups. Go to the [HEA](#) website for more information or the [HEA paper](#) (12 November 2009) on the Franks & Ogilvie website.

### **What are the current problems?**

Manuka honey and manuka health products sell for a premium overseas mainly due to unique antibacterial properties. However, there has been a loss of confidence by overseas buyers and regulatory agencies because of mislabelling. It has been possible to generate large profits selling "ordinary" manuka honey by misleading consumers into thinking they are buying honey with unique bio-active qualities. The apparent success of cheating has led to suspicion of low standards of commercial morality. In addition, there appears to be substantially more NZ manuka honey being sold than produced.

New Zealand exporters have felt drawn to blacken each others' reputations to foreign buyers. Some of that may have been deserved, some not. Whatever the merit, the result has been damaging to the industry.

Officials have threatened to step in if the industry does not sort these problems out. It could even involve blocking manuka exports to markets where the authorities have lost confidence in our integrity, if necessary to limit the risks to more important exports. The Steering Group has looked closely at alternative ways of preventing this loss of confidence (including through the Commerce Commission, Animal Products Act, and the Food Standards Code) and decided the HEA framework provides the best option as it:

- is a regime for mandatory truth in labelling rules and common standards;
- allows for substantial industry role in developing and maintaining the rules (self-regulation);
- is a well respected Authority which has shown that it is economical and responsive to industry;
- offers a low cost and effective enforcement sanction (loss of export licence); and
- allows for tight targeting only on export manuka honey (and not domestic honey).

### **How will honey be included in a regime designed for horticultural products?**

The HEA Act currently does not allow for honey as it covers only unprocessed plant produce. We have in principle agreement from the Minister of Agriculture to progress an amendment to the Act to include honey if there is sufficient evidence from the industry that it will be used – hence the request for you to record your support.

### **What will we have to do?**

If export manuka honey becomes a product group under the HEA, exporters would have to:

- Register with the product group;
- Follow any rules, standards set by the product group. This would include a compulsory standard for claims of anti-microbial activity and rules restricting marketing claims. Click [here](#) to see an early draft of this standard or code (on Franks & Ogilvie website, 20 January 2010). Under the HEA each product group is required to have an Export Management Strategy (EMS). This standard would form the main part of the EMS for manuka honey. To see an example of an existing product group's (Buttercup Squash ) EMS under the HEA, with compulsory industry standards, click [here](#); and
- Hold an export licence with the HEA. This would be in addition to the NZFSA certification requirements.

Other industry participants such as beekeepers may wish to register with the product group on a voluntary basis. They would vote on its decisions.

### **How would it affect beekeepers alone?**

To the extent that exporters became more particular about measuring honey qualities they may require more testing before buying and pay more closely according to the result. Any effective regime to impose compulsory standards of labelling integrity will likely have the same effect.

### **How much might it cost us?**

The product group will decide how costs are allocated. Assuming that costs should be borne according to benefit (mostly on those deriving the greatest premium from an enhanced market confidence in the

integrity of label claims) it might lie largely with those who make bio-active claims. They might be quantity or earnings weighted.

Typical HEA fees for other product groups are in the region of \$2,500 + GST for an export licence then \$1,500 + GST per year to keep it.

The product group has to pay an annual registration fee to operate under the HEA. HEA told us a typical annual product group fee for participant exporters ranges from \$1000 to \$6500 + GST. Under the HEA scheme producers also generally pay an annual fee, typically from \$100 to \$500 + GST.

For manuka honey, because the benefit all passes through the exporters, the product group may decide that beekeepers that choose to join should pay no fee, or a nominal fee only.

### **Will it affect all export honey, all export manuka honey or just active manuka honey?**

We have suggested that the Minister amend the HEA Act to include “honey” because otherwise we could be prematurely defining the product group, and producers of other honey types may some day want a similar advantage. But the proposed product group is for manuka honey. You will not be expected to apply for export licences or register for any other honey apart from manuka honey for export.

Whether the product group covers all export manuka honey or just bio-active manuka honey does not need to be decided until after the HEA Act is changed (when there will be a much more specific consultation). However, unless Customs border control is applied to all manuka honey enforcement may not work effectively. This issue is under discussion with Customs and the Steering Group will discuss the issue in detail over the next few months.

### **Can I stay out of coverage?**

This will depend on the boundaries of the product group under the HEA which will need to be agreed to in the next round of consultation if the HEA Act is amended. For example, if it is only a majority of the bio-active manuka honey exporters who want a product group, that may be the product boundary. In that case exporters who do not deal with bio-active manuka honey would not be affected. However at present it seems that the workability of a scheme with that limitation may be questionable.

### **Will it affect small exporters differently from large?**

The same export quality rules will apply to all. The fee structure will be up to the product group. It would be up to the product group to protect small exporters from being disproportionately unfairly affected. They would still need to have an export licence, but their fee for being a member of the product group could be nominal. The benefits of assured quality integrity should outweigh costs for small and large exporters.

### **How do I know that the big players won't dominate and ignore my interests?**

The proposed new law will not affect you until the Minister is satisfied that there is sufficient support (within a specific product group) for your product to fit under the HEA framework.

There are far more small industry players than larger, and a tradition in the honey industry for cooperation across the boundaries. The need to show the Minister that there is majority support before any product group is formed, will require the supporters to ensure enough small producers and exporters are satisfied to get the product group off the ground.

The Steering Group is working on a constitution for a possible product group. It is likely to apply to a company NZ Manuka Rules Limited which will give effect to the product group's proposals. The constitution will contain provisions requiring the appointment of board and committee members

independent of major players, and allow a voice for the different parties, such as bio-active exporters, table honey exporters, beekeepers, and other industry participants.

### **How will it affect overseas buyers?**

Overseas buyers will have more confidence that what is on the label is true and that New Zealand now has a reputable manuka honey industry. Reduced uncertainty means higher prices. Having export licences means it will be easier to track honey sold overseas that is mislabelled. New Zealand Trade and Enterprise and NZFSA are supportive of this proposal.

### **Why would beekeepers be involved?**

For beekeepers little should change. The aim of this is to stop the dubious export behaviour that is threatening the industry. Beekeepers have a stake in supporting this. At present dubious exporters gain an extra margin by paying table honey prices and then misrepresenting the product as something more. So beekeepers have a real stake in the success of the product group. In addition, the proposal should reduce the amount of honey being passed off overseas as pure NZ manuka honey. Ultimately the price to beekeepers will rise as exporters make greater profits from an enhanced integrity reputation and thus their demand for manuka honey. The aim of any export marketing strategy or rules would be to grow the reputation and marketability of New Zealand's manuka honey for the benefit of both beekeepers and exporters.

### **Will it work?**

The industry expects to be able to grow the value of exports rapidly from its current levels (under \$100 million) with the removal of the irritants. A framework under the HEA model would help with this. Export licence standards will upgrade the reputation of NZ manuka honey product exports.

### **What will happen next?**

Attached is a form for you to complete to show your support for this proposal. Please complete it and return it to Franks & Ogilvie by **12 February** so we can demonstrate to the Minister that there is strong industry support for this proposal and he can convince his Cabinet and Parliamentary colleagues to amend the HEA Act. If the law change is underway the consultation on the product group would be focussed on and after the NBA Annual Conference around the middle of 2010 on the definition or limits of the product group.

### **What about the exporter infighting in the meantime (until the law is changed and up to the NBA conference)?**

As part of the Steering Group process they have contributed money to pay for organising a set of laboratory comparison tests, to reduce the room for arguments that might arise from differences in measurement standards and bases. They've also paid Stephen Franks to develop a draft Code with definitions that could end up as a standard.

Some companies have signed up to an agreement not to criticise each other (the 'anti-knocking' agreement) pending the end of the process, with more expected to join in. Signatories include large exporters such as Comvita, Manuka Health, and Pure New Zealand Honey (Honey Valley).

The intention is also to get the Code to the point where it is agreed for application generally, whether or not the HEA amendments go through. The Steering Group is arranging for the appointment of a small team of independent people to rule on complaints and disputes about the application of the Code and the anti-knocking agreement. If the HEA amendments proceed the Code will become part of the "Export Management Strategy" under the HEA.